



STATE OF CONNECTICUT

INSURANCE DEPARTMENT

(Via email- kcheliotis@nsre.com)

March 8, 2016

Kostas Cheliotis
Director
Nassau Reinsurance Group
198 Bridle Path Lane
New Caanan, Connecticut 06840

Re: Proposed Acquisition of Control of PHL Variable Insurance Company, Phoenix Life and Annuity Company, and American Phoenix Life and Reassurance Company by Mr. David C. Dominik, Golden Gate Private Equity, Inc., Davero Merger Sub Corp., Nassau Reinsurance Group Holdings, L.P., Nassau Reinsurance Group Holdings GP, LLC, Nassau Holdings, L.P., and Nassau Holdings, GP Ltd. (the "Applicants")
Docket # EX 15-150.

Dear Mr. Cheliotis:

The Connecticut Insurance Department ("Department") has completed a preliminary review of the Form A Statement regarding the proposed acquisition of control ("Proposed Acquisition") of PHL Variable Insurance Company, Phoenix Life and Annuity Company, and American Phoenix Life and Reassurance Company (hereinafter collectively "Domestic Insurers"), dated November 6, 2015 (the "Application"). As a result of the review, it was determined that the information requested below is necessary to complete the filing. Please provide amended and restated clean and black lined versions of the Form A filing rather than standalone amendments. This should include any new exhibits resulting from the amendments and restatements. You should also reflect any amendments to the Application resulting from any discussions with the Department which you may have subsequent to this letter being issued.

Please note that the Department has determined that the following are also considered Applicants in the Proposed Acquisition of the Domestic Insurers: Mr. David C. Dominik and Golden Gate Private Equity, Inc. Please amend the Application in all applicable sections to reflect all Applicants.

Item 1. INSURERS AND METHOD OF ACQUISITION

- In several places throughout the Application, including the Agreement and Plan of Merger ("Merger Agreement"), it is stated that Golden Gate Capital Opportunity Fund, L.P. has entered into an equity commitment letter with Nassau Reinsurance Group Holdings, L.P. It has come to the Department's attention that funding has been infused into Nassau in order to close on the Proposed Transaction. In the amended and restated Form A provide the dollar amount infused along with the name of the Nassau entity receiving the funds.

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- Please provide copies of Exhibits A, B and C to the Merger Agreement (Exhibit 1).

Item 2. IDENTITY AND BACKGROUND OF THE APPLICANTS

- Provide an amended post organizational chart (Exhibit 3) reflecting the identities and interrelationships among the Applicants and their affiliates immediately after the Proposed Acquisition. In addition to the stock ownership of the Domestic Insurers, please include a description of the interrelationship between Golden Gate entities and Nassau entities. At a minimum this should include ownership of both voting and non-voting shares and percentage owned by each entity.
- Exhibit 2 of the Form A provides an organizational chart for the Phoenix Companies Inc. Please reconcile the discrepancy when compared to PHL Variable Insurance Company's Annual Statement- Schedule Y.
- Provide the following for all Applicants for the past five years: (a) Name and Address; (b) Business Operations.
- Please provide a description of the business to be transacted by the Applicants through the Domestic Insurers.

Item 3. IDENTITY AND BACKGROUND OF INDIVIDUAL ASSOCIATED WITH THE APPLICANTS

- Be reminded that the redacted and un-redacted third party verification reports have not yet been received by the Department.
- While we have not requested them, The Department reserves the right to receive credit histories for all individuals associated with the Applicants.
- Please update to reflect all Applicants.

Item 4. NATURE, SOURCE AND AMOUNT OF CONSIDERATION

- Please update as appropriate.

Item 5. FUTURE PLANS OF INSURER

- Please update as appropriate, to include disclosure of the plan to enter into an affiliated reinsurance transaction simultaneously with the closing of the Proposed Acquisition.
- Please reference Exhibit 9 in order to provide more detail regarding the Domestic Insurers future plans.

Item 6. VOTING SECURITIES TO BE ACQUIRED

- Please update as appropriate.

Item 7. OWNERSHIP OF VOTING SECURITIES

- Please update as appropriate.

Item 8. CONTRACTS, ARRANGEMENTS, OR UNDERSTANDINGS WITH RESPECT TO VOTING SECURITIES OF THE INSURER

- Please update as appropriate.

Item 9. RECENT PURCHASES OF VOTING SECURITIES

- Please update as appropriate.

Item 10. RECENT RECOMMENDATIONS TO PURCHASE

- Please update as appropriate.

Item 11. AGREEMENTS WITH BROKER-DEALERS

- Please update as appropriate.

Item 12. FINANCIAL STATEMENTS AND EXHIBITS

- Provide the following financial information regarding the Applicants: David C. Dominik: Net Worth Statement; Golden Gate Capital Opportunity Fund L.P.,: most current five year financial statements (balance sheet and income statements); Nassau Reinsurance Group Holdings, L.P., Nassau Reinsurance Group Holdings GP, LLC, Nassau Holdings, L.P., and Nassau Holdings, GP Ltd.: all financial statements (balance sheet and income statements) since inception; Be reminded that unaudited financials shall be accompanied by an affidavit or certification of the chief financial officer that such statements are true and correct.

- Please revise the name of Exhibit 9 to “Plan of Operations and Five Year Pro Forma Financial Projections of the Domestic Insurers.”
- Please update to include any financial filings not previously submitted.
- Please provide all subsequent financial filings made by the Applicants and the Domestic Insurers until such time as this Application has been deemed complete.

Item 13. AGREEMENT REQUIREMENTS FOR ENTERPRISE RISK MANAGEMENT

- Pursuant to Connecticut General Statute Section 38a-130(b)(1)(L), please include an acknowledgement by the person filing the Application that such person shall make a good faith effort to ensure the annual enterprise risk report required under subsection (f) of Section 38a-135 is filed in a timely manner for as long as such person’s control exists.
- Pursuant to Connecticut General Statute Section 38a-130(b)(1)(M), please include an acknowledgement by the person filing the Application that such person and all subsidiaries in the insurance holding company system within such person’s control will provide such information as the commissioner may request as to the enterprise risk to the Domestic Insurers.
- Please revise your statement to read: “The Applicants agree to provide, to the best of their knowledge and belief, the information required by Form F within fifteen (15) days after the end of the month in which the acquisition of control occurs.”

Item 14. OTHER INFORMATION

- Please provide copies of all other regulatory filings made by the Applicants in connection with the Proposed Acquisition of the Domestic Insurers. Please note for filings made with state insurance regulators we only require the Form A without exhibits be filed and the equivalent for international filings.
- The Merger Agreement Section 6.15 refers to a Transition Committee. Please provide more details regarding this committee, to include but not limited to, the members of the transition committee and a description of any transition issues currently being discussed. Also, please include a narrative of milestones over the next three years.

- Please identify, if applicable any potential material litigation of which the Applicants are aware which are not currently reflected in the Form A, which could affect the Domestic Insurers. In addition, please update as appropriate “Material Litigation and Government Investigations” (pp. 14-15 of the Form A.)
- Exhibit 9: Plan of Operations For The Phoenix Companies, Inc (the “Plan”) - Please respond to the following:
 - “Nassau expects to transition the Company from a high fixed-cost operating model, where the majority of functions are performed in-house, to a more efficient variable-cost model, pursuant to which the Domestic Insurers can partner with select vendors for outsourcing of certain business functions such as administration”. (p. 6) Please provide more detail regarding all the business functions you contemplate outsourcing. Also provide a time horizon for achieving these efficiencies.
 - The Plan refers to requesting Department approval pursuant to Statement of Statutory Accounting Principles No. 72 to re-set unassigned funds (surplus) to \$0. It appears that this transaction does not meet standards set forth in SSAP 72. Please provide your rationale as to why it does satisfy those standards.
 - The Applicants state that “Nassau expects that the Domestic Insurers will enter into a Shared Services Agreement with Nassau Reinsurance LLC...” (p. 9). Please be reminded that all applicable affiliated transactions require prior approval by the Department.
 - The Applicants state that prior to closing of the Transaction, Nassau expects the Domestic Insurers will transfer ownership of Saybrus to Nassau Re Holdco LP to further support Nassau’s and Saybrus’ long term growth plans, as a separate Nassau subsidiary. (p. 2) Please verify your intention that this is to occur pre-closing. If so, provide appropriate legal documentation justifying the timing for Department review.
 - Please update the Guaranteed Minimum Job Levels chart to include 2019. (p.3) Also, please reaffirm that the Domestic Insurers headquarters will remain at One American Row in Hartford, Connecticut.

- Please update Capital Management: RBC (pp. 6-7) to reflect the following:
 - The Phoenix Companies, Inc (“Phoenix”) will maintain The Authorized Control Level Risk Based Capital Ratio (“ACL RBC Ratio”) for PHL Variable Insurance Company (“PHLVIC”) at or above 400%.
 - The \$100 million capital contribution to be made by Nassau to Phoenix will be used solely to support the insurance operations of Phoenix Life Insurance Company (“PLIC”) and PHLVIC and/or for the maintenance of their respective capital levels.
 - If, at the end of any calendar quarter, the ACL RBC Ratio for PHLVIC is less than 400%, then Phoenix shall, before the statutory financial statement due date of such quarter-end, (i) contribute additional capital to PHLVIC, in the form of cash or other assets acceptable to the Department, in such aggregate amount as shall cause the projected ACL RBC Ratio of PHLVIC, immediately upon receipt of such contribution, to equal the aforementioned 400% minimum capital threshold, or (ii) adopt a plan to take such other measures as may be mutually agreed to by Phoenix and the Department to increase PHLVIC’s ACL RBC Ratio to the aforementioned minimum capital threshold.
- It is further understood and agreed that any use of contributed capital for non-insurance operations or any removal such capital from the holding company cannot occur without the consent of both the CID and the New York Department of Financial Services.

- The Applicants state “Generally, no changes to these reinsurance agreements are contemplated as a result of the Transaction with the exception that we are evaluating a potential amendment to a small number of treaties which may no longer be commercially viable for the Company.” (p. 10 “Ceded Reinsurance”) Please provide details regarding which treaties are being evaluated along with more insight into the phrase “no longer commercially viable.”
 - It has come to the Department’s attention that the Applicants intend to enter into an affiliated reinsurance arrangement simultaneously on closing. Please provide details of this proposed transaction.
- Exhibit 9- Five-Year Pro Forma Financial Projections- The Department notes the following in reviewing the assumptions Milliman used in developing its projections:
 - Quasi-Reorganization- As noted earlier in this letter, this transaction does not appear to meet the standards of SSAP No. 72. Any reference to Quasi- Reorganization should not be cited as an “assumption.”
 - Surplus Note- A surplus note is required to be approved by the Department. Any reference to a surplus note should not be cited as an “assumption.”
 - Dividends- For a period of two years after closing, all dividends will require prior approval by the Department. Any reference to dividends being taken out of the Domestic Insurers should not be cited as an “assumption”.
 - The proposed affiliated reinsurance agreement should be incorporated into your revised projections.
 - It has been determined that actual financial data for the year end 2015 is now available. Please update both assumptions and projections as appropriate.

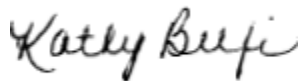
Item 15. (NO TITLE)

- Please incorporate (a) and (b) into Item 14- Other Information.

We look forward to receiving this information at your earliest opportunity. If you feel it beneficial, we can be available to meet by teleconference or in person to discuss this letter or your proposed responses. Please be aware that further information may be requested as we continue to review and evaluate your submissions. Therefore, we recommend that you provide detailed and complete responses to minimize the need for the Department to request further information which could delay the Form A process.

If you have any questions, please feel free to contact me at 860-297-3968 or by email at kathy.belfi@ct.gov.

Regards,

A handwritten signature in cursive script that reads "Kathy Belfi".

Kathy Belfi, CPA
Director Financial Regulation

cc: Sam S.F. Caligiuri, Esq. - Day Pitney
Michael D. Devins Esq. - Debevoise & Plimpton LLP
Stephen D. Oetgen Esq. - Golden Gate Private Equity Inc.
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